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# The PACE STUDENT

Vol. III

New York, April, 1918

No. 5



THE beginning of good organization lies in the division of work, the definition of duties, and the control of stores. No satisfactory working chart of organization can be made without an intensive study that affords a basis for the definition of duties and the formulation of working procedures.

Accountants and other organizers are especially concerned with the duties of the Controller (sometimes known as the Comptroller), who is usually the representative of the board of directors in the control of expenditures, and who may perform other important organization duties. The duties vary according to the needs of the particular organization, although, after allowing for such variations, there is a considerable difference in opinion as to the duties that should properly be performed by the controller.

Some time ago Irving R. Wilmot, a Pace Student, of South Norwalk, Connecticut, who is performing in a large organization the duties that ordinarily fall to the controller, asked The Pace Student to assist him in securing the views of representative controllers as to the duties that should be performed by the controller in a modern manufacturing organization. In accordance with this request, opinions were secured from Harold B. Atkins, M.E., C.P.A., Richard Fitzgerald, C.P.A., Albert F. Young, C.P.A., and H. C. Williams, all of whom were filling, with large manufacturing corporations, positions that call for the exercise of the functions of a controller. The views of these gentlemen, all of whom graduated in Accountancy in the Pace Courses several years ago, will be of interest to our readers.

Mr. Wilmot states his own views in the following manner:

"The question of the scope of the duties and authority of controllers depends largely on the size and kind of business. The controller's duties are usually found in the by-laws of a corporation, but in the absence of any particular by-laws relating to this office, they usually are the following:

"The controller is the accountant of the corporation; he installs the system of accounts and sees that it is harmoniously operated. His duties are distinct from those of the auditor, and he is responsible to no one but the board of directors. He handles no money, but ascertains that the treasurer is fulfilling his duties; passes no credits, but checks up the results of the credit department. In other words, he is the watchdog of the corporation. He analyzes the results and reports to the board of directors. The particular and distinguishing feature of the controller is his lack of responsibility to any one but the board of directors. As I have above stated, however,

*Duties  
of the  
Controller*

his duties may be specifically explained by the by-laws, and thus we see controllers fulfilling the duties of treasurer, auditor, etc."

Mr. Atkins, in his letter, divides organization activities into three departments, and makes a distinction between the duties of the controller and the treasurer, as follows:

"I think that every business divides, normally, into three main departments, which I call 'production,' 'distribution,' and 'administration.' In my opinion, the position of the controller in the organization is at the head of the administration department. The three department heads properly report to the chief executive. They may or may not be corporation officers.

## LEADING ARTICLES

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*Duties of the Controller*  
(Continued) "According to my present view, the corporation officers are purely that and nothing else. The president may be the executive head of

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ally as it is possible to have them performed."

Mr. Young, although not himself engaged in railroad work, has con-

tented himself with furnishing a statement of the duties prescribed for the controller of the Pennsylvania Railroad Company, which follows:

"The controller of the Pennsylvania Railroad has, under the direction of the president, supervision of all the accounts and statistics of the company of all lines owned or controlled in the Pennsylvania system east of Pittsburgh. The lines west have their own separate accounting department organization. The controller, in addition to having the direction of the manner and method wherein all accounts shall be kept, and the power to see that the system of accounts adopted by the company is enforced and maintained, has the authority to require any specific information from officers in charge of other departments, in such form as he may deem best for the interests of the company. He is required to furnish to the executive officers, and through them to the board of directors, 'such statements of accounts and statistics relating to the business transactions and affairs of the company as will enable them to be properly informed thereof.' The controller is also required to prepare a statement of all securities belonging to the company, and to make a complete examination of all the securities in charge of the treasurer or trustees of the various funds at least once a year. He has the power to make such an examination whenever he may deem it best.

"I think it is unnecessary to go into a definition of the duties of the controller. The names of the two other departments—that is to say, 'production' and 'distribution'—so clearly define the departments that I think it can safely be said that all other matters fall into the department of 'administraion,' under the controller.

"The controller of the Pennsylvania Railroad has, under the direction of the president, supervision of all the accounts and statistics of the company of all lines owned or controlled in the Pennsylvania system east of Pittsburgh. The lines west have their own separate accounting department organization. The controller, in addition to having the direction of the manner and method wherein all accounts shall be kept, and the power to see that the system of accounts adopted by the company is enforced and maintained, has the authority to require any specific information from officers in charge of other departments, in such form as he may deem best for the interests of the company. He is required to furnish to the executive officers, and through them to the board of directors, 'such statements of accounts and statistics relating to the business transactions and affairs of the company as will enable them to be properly informed thereof.' The controller is also required to prepare a statement of all securities belonging to the company, and to make a complete examination of all the securities in charge of the treasurer or trustees of the various funds at least once a year. He has the power to make such an examination whenever he may deem it best.

"I suppose that the next question which may be asked me is, 'What is the position of the treasurer?' and, anticipating such a question, I would say that the treasurer, as such, is purely a corporation officer charged with the custody of the company's personal property—chiefly cash. I think that usually the definition is more limited, charging him only with the custody of cash and securities; but I prefer the broader and more general definition."

Mr. FitzGerald's comment, which is based on his experience as a controller, and on many years' experience in the practice of Accountancy, is as follows:

"The controller of a commercial manufacturing organization is a staff officer; he is in direct charge of the accounting department—statistical and cost accounting. He sees that all purchases, sales, and executive contracts are fulfilled; in other words, he takes the responsibility for all contracts, although he may have nothing whatever to do with entering into them; sees that all material and supplies are purchased as reasonably as possible, and that all sales are made at a profit, and if not, it is his duty to seek an explanation from the responsible person as to the reason for this.

"The general books of the company are kept in the controller's office, and the controller verifies and certifies to the correctness of the treasurer's reports of daily receipts and disbursements. Vouchers which are paid by the treasury department are kept on file in the controller's department. At least once in every three months, the controller makes an inventory of cash on hand and on deposit.

"It is the controller's duty to decide all questions that are brought up throughout the organization; for instance, if any one in the company does not know a certain thing which he is supposed to know, he asks the controller, and it is the controller's duty to make a decision in the matter.

"The controller approves for payment all pay-rolls and vouchers, when these pay-rolls and vouchers have been approved by the officer or officers who are authorized to make such expenditures. In other words, the controller certifies to two things: first, that the pay-rolls and vouchers have been approved by a duly authorized officer; and, secondly, that the accounts are correct. Under the same provision, the controller approves loss and damage claims, settlement for overcharge orders, and relief-fund orders. The controller is authorized to approve for settlement all amounts due by, or to, other companies or individuals on account of traffic and equipment service, when properly certified.

"The controller watches the entire activities of the organization, and the work of employees, to see that all of the activities of the organization are carried on as efficiently and economic-

## Biographical Snap Shots

### Young Accountants Who Have Made Good

**T**WENTY years ago a "hand" in a shoe factory at three dollars a week, to-day auditor of disbursements of the Barrett Company, the nation-wide concern dealing in coal-tar products that last year did a gross business of nearly \$60,000,000—this is what has come to pass for Thomas E. Casey, a Pace graduate of a few years ago. When Mr. Casey's business success comes up for discussion—as it frequently does when the spirit of reminiscence grows strong—it is easy to yield to the temptation to moralize upon what an ambitious young man can do for himself. Sometimes, though, unadorned facts are the best kind of moralizing—they tell a clearer tale and point a more inspiring moral than when embellished with verbal finery. This is true of Mr. Casey's business career.

"Tom" Casey was born in Brooklyn, in 1883. After a public-school education, he had to leave school and go to work, money being anything but plentiful in the Casey family. His first job was in a shoe factory, where he worked early and late for three dollars a week. Then, at the age of fourteen, he entered a hardware store in Morristown, N. J., as clerk. His "salary" here was also three dollars a week, and his hours were from half-past six in the morning till nine in the evening, except on Saturdays, when he quit at eleven at night.

A year later young Casey went to work for the New York Telephone Company at Bernardsville, N. J., as night operator. Here, too, his salary may be best described as a pittance. Then, attracted by a seven-dollar-a-week offer, he went back to his job in the hardware store.

Shortly afterward he reentered the employ of the New York Telephone Company, this time as assistant stock clerk.

From that time on—this was in 1901—Mr. Casey was connected with the Telephone Company at Elizabeth, N. J., for nine years, steadily advancing through all grades of clerical positions of the plant department until he became the chief clerk of that department.

In 1910, Mr. Casey shifted over to the Western Union Telegraph Company, at 195 Broadway, New York. His first position was that of estimate clerk. His ability and experience, however, soon secured him advancement to the position of chief clerk of the plant department.

In the meantime, Mr. Casey had been diligently mastering the Pace Course in Accountancy and Business Administration. He finished it in 1914, and was therefore ready to take advantage of a new business opportunity, this time with the Barrett Company. After two years with this organization, as assistant to the assistant treasurer, he was appointed auditor of disbursements, the highly responsible position that he now holds.

Noteworthy as Mr. Casey's business progress has been, it is not illogical to prophesy that still more important duties lie ahead for him. He is still a young man—only thirty-five. He has demonstrated

his fitness to handle big executive duties. The Barrett Company, with its forty-two branches in this country and Canada, is growing, big as it is even now, by leaps and bounds, and Mr. Casey's developing ability will be needed and rewarded. Whatever advancement comes to him he will deserve, for he has taken stock of himself, set his goals, and proceeded to attain them by dint of steady, persistent, well-directed work and study.



**T**HE story of how young men win success is always interesting. Dayton E. Smith is one of the many Pace youngsters who, when mere boys, have had sense enough to realize that the only way to compel business recognition is through self-development. Mr. Smith is still well under thirty, but he has "arrived," as this brief sketch shows.

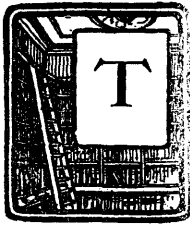
Eleven years ago, "Date" Smith, then a raw Vermont boy, decided that New York was the place for him. Accordingly, against the protests of timorous relatives, he packed his suit-case and set out for the "Great Unknown." Having had a partial high-school training and six months at a business school, he had little trouble in landing a clerical job with the New York, Susquehanna & Western Railroad, at Jersey City, at a stipend that was barely enough for him to live on.

Then he entered the employ of the Adams Express Company as stenographer at a slight monthly increase. Here he stayed for nearly eight years, rising finally to the position of secretary to the general auditor.

In the meantime he had enrolled in the Pace Accountancy Course, and had begun to visualize the almost limitless opportunities that lie open in Accountancy and in Business for properly trained men. And so, upon the completion of his course, in which he made a splendid record as a student, he decided to enter the professional practice of Accountancy. His first engagement was on the staff of Charles Neville & Company, certified public accountants, Savannah, Georgia. After a year with this firm, he returned to New York and became a senior accountant on the staff of F. H. Hurdman, C.P.A., which position he resigned a short time ago in order to become assistant treasurer of Ralph L. Fuller & Company. For some time he has been a successful member of the Pace Staff of Accountancy instructors.

These are the bare facts in Mr. Smith's business career, but, unadorned as they are, they prove in a concrete way the financial value of a course of training which accurately interprets modern Business, and which gives practical preparation for its higher duties and responsibilities.

Of course, personality plays a part in winning success—we must not forget that. And Mr. Smith has the kind of personality that is an asset. To know him means to like him—you like the genial twinkle in his eye, and his mouth that can't help smiling. Success to you, Dayton!



THE habit of discriminating between an opinion and a fact is one of the by-products of legal study. By discriminating, I do not mean only distinguishing. It may be easy, in some instances, to distinguish between fact and opinion in statements, yet, through carelessness or inadvertence, opinions may be given the same weight as facts.

There are, of course, some instances wherein it is difficult to distinguish between an opinion and a fact. These instances interest mostly the lawyer and the judge. Constantly, throughout litigation, there is the necessity of making the distinction. In daily business, however, most statements can be divided as between statements of fact and statements of opinion. It is important that the accountant, and likewise the business executive, use judgment as between opinions and facts.

Law study develops this habit, because throughout many of the subjects of the law important consequences depend upon whether a statement is one of fact or of opinion. As an example, I might take one of the essentials of fraud in contracts. This essential is, that there must be "a false representation, or misrepresentation, of a material fact, etc." From this essential it is apparent that the representation must be as to a fact, and not be an ordinary opinion.

Still another phase of contracts in which the distinction is brought out is that of warranty. A warranty that goods are of a certain quality either may be in express words, or may be implied by other words used in connection with the sale. If the representation made in connection with the sale is a statement of fact, then it may constitute an implied warranty. But should the statement be merely an expression of opinion, it will not constitute a warranty. Thus it is, that determining whether a statement is, or is not, one of fact may have an important bearing upon the rights of a party in connection with a sale or other contract.

There are numerous other instances in which the importance of this distinction is emphasized in the study of business law. Proposition after proposition is given the student calling for the making of the distinction, and for the consequences which result from the distinction. After such training, it is unlikely that he will fall into the error, all too common, of giving the same weight to an ordinary opinion that is given to a fact.

It is not surprising that a lawyer, who was a business executive, should have advised certain

of the department heads of a business to base their action upon facts so far as possible. The discussion was whether or not a certain form of advertising was more effective than another form. The lawyer pointed out that it was possible to experiment on a small scale, and get actual results as a basis for action. In other words, the instructions were, whenever possible, to get the facts and act accordingly.

There is a vast difference between running a business on the basis of conjecture and approximation, and running a business on the basis of facts disclosed by adequate accounting records. An opinion, particularly if not of an expert nature, may often vary considerably from the facts. So it is that the development of this habit, for use in business, may be regarded as one of the valuable assets to be acquired from a study of the law.

ONE frequent provision in construction contracts is, that the party doing the work shall pay a certain sum for each day the work is not completed, after a set date. The purpose of this provision is to discourage delay in completing the work.

*Penalty  
or Liq-  
uidated  
Damages*

It does not follow that courts will hold the contractor to this clause in the contract, even though the contractor is responsible for the delay. If the amount named is so large as not reasonably to cover the damage to the other party by the delay, the courts will construe it as a penalty. In other words, the sum named in the contract becomes a sum out of which the reasonable damages are payable. If the sum named is reasonable, then it is deemed to be liquidated damages, and the sum must be paid.

A recent case illustrative of the points which may be raised in connection with these clauses is *Trauts Realty Company versus Casualty Company of America*, 166 N. Y., Supp. 807. In this case, the defendant was the surety for a wrecking concern on a contract, in which the wrecking concern agreed to tear down certain buildings in Park Avenue, Brooklyn. As to one of these buildings—819 Park Avenue—the agreement was that the wrecking would commence on October 9th, and be completed within thirty days after that date. Under another clause in the agreement, an architect was named to certify any extensions of this time, if found justifiable, after request by the contractor. The tenants of the building did not vacate until October 16th—seven days after the wrecking was to have commenced. After the tenants had vacated, the wrecking was done, and was not completed until thirty days after October 16th—seven days late. Suit was instituted on the contract for the

Law Department amount prescribed for each day's delay.

(Continued)

At the trial the defendant argued that the delay was due to the fault of the plaintiff. Seemingly, it was admitted that the plaintiff was at fault in not having the premises vacated in time. There is no question but that if the delay is due to the neglect of, or is chargeable against, the person having the work done, the contractor is relieved to that extent. But in this case, the contract provided that an architect could grant extensions, if requested. The wrecking company made no request for an extension. Accordingly, the court held that the wrecking company must pay the amount provided.

This case is illustrative of the care that a party must exercise to conform to the provisions of a contract. There is little doubt but that the wrecking company could have escaped all liability by requesting an extension. Failure to do so was carelessness on their part. But it is significant of the carelessness with which business men, unacquainted with law, sometimes treat the terms of a written contract.

#### Dividend Taxation

**A**ccountants and business executives are now discussing some of the features of income taxation, as respects corporate dividends. For this reason I shall, in this article, review two of the recent decisions, and in a subsequent article, shall take up some features of the later legislation respecting this subject.

The two cases that I shall review are *Towne versus Eiser*, 242 Fed. 702, and *Lewellyn versus Gulf Oil Corporation*, 245 Fed. 1. The first named of these cases is on the subject of stock dividends; and the second on the question of dividends received by a holding company from its subsidiaries.

The case of *Towne versus Eiser* cannot be said to throw much light on the present law concerning stock dividends. It was litigated under the income-tax law of 1913, which did not mention stock dividends. The collector levied a tax upon certain stock dividends received, which represented a distribution of earnings which had accrued prior to January 1, 1913. This tax was levied upon the amount of these dividends, because they were received during the year 1913, and because the collector held them to be income for the year 1913. The court pointed out that the profits from which these dividends were declared had accrued prior to January 1, 1913, and were not income for the year 1913. In the decision, it was stated that a stock dividend does not make the stockholder any richer, from the standpoint of the book value of his stock holdings. The

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decision is not of great importance, except that it emphasizes the attitude of courts toward stock dividends, which is that the year in

which the profits are accumulated, from which the dividends are declared, is important in determining their status for income taxation.

In many respects the second case, that concerning the holding company, is the more interesting. The Gulf Oil Corporation is the holding company of several subsidiaries, who declared dividends during 1913. Since the stock of these subsidiaries was held by the holding company, these dividends were received by that company.

The amount of the dividends was \$11,424,440. The dividends were not paid in cash. An account receivable was set up in the holding company's books, as to each subsidiary, for the amount of the dividend declared by each. The purpose of the dividend was to facilitate the adjustment of the accounting records, as between the several companies, there having been considerable intercompany indebtedness carried on the books.

The entire amount of the dividend, moreover, had accumulated prior to January 1, 1913. The corporation argued that, for this reason, the dividend was declared from profits upon which no income tax had been levied.

The court decided against the contentions of the company, and held the company liable for the income tax. The decision was based upon the corporate entity of the holding company. In other words, the court regarded the holding company as a distinctive company from its subsidiaries. As to this distinctive company—that is, the holding company—dividends aggregating the amount stated had been received during the year 1913, and, in the opinion of the court, represented income of that company for the year 1913.

In support of its position, the corporation cited the case of *Lynch versus Turrish*, 236 Fed. 653. In this case, there had been certain property which was bought for \$1,500,000. On March 1, 1913, the value of this property was \$3,000,000. During 1914, the property was sold for \$3,000,000, and the proceeds were distributed among the stockholders of the corporation. Turrish was a stockholder, and was taxed on the dividend. The court held that no part of this distribution constituted income. The decision stated that the property was worth as much at the time of distribution as it was before an income tax had been levied. Hence, there had been no increase in value. As the court put it, all that happened was "a change of form without an increase in value."

Although the two cases seemed similar, yet the



REFERRING to the proposition in The Pace Student, of December, involving construction of a Consolidated Balance Sheet, I should like you to answer the following question:

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Q What would have been the entries had the D Co. purchased the stock of A and C, held by the B Co., upon the same terms as it acquired the other stock of these companies, assuming that the D Co. was authorized to issue the additional preferred and the additional common stock necessary?

A Under the terms of the proposition, there was offered one share of D preferred stock and one-half share of D common stock for each share of A stock. For each share of C stock, there was offered one share of D preferred and three-fourths share of D common. Company B owned stock of A at par—\$100,000, and stock of C at par—\$20,000. Under these circumstances, the entries in the D Co.'s books would have been:

A CO. CAPITAL STOCK.....	\$150,000	
To PREFERRED STOCK.....		\$100,000
" COMMON STOCK.....		50,000
For acquisition of stock of A Co. held by B Co.		
C CO. CAPITAL STOCK.....	35,000	
To PREFERRED STOCK.....		20,000
" COMMON STOCK.....		15,000
For acquisition of stock of C Co. held by B Co.		

In the books of B Co., the transaction would be recorded as follows:

D CO. PREFERRED STOCK.....	\$120,000	
D CO. COMMON STOCK.....	65,000	
To A CO. CAPITAL STOCK..		\$100,000
" C CO. CAPITAL STOCK..		20,000
" SURPLUS .....		65,000
For stock of A Co. and C Co. sold to the D Co.		

This would necessitate an adjustment of Surplus as stated on the B Co.'s Balance Sheet. After this adjustment had been made, the proposition would be answered along the lines given in the solution. It might be of interest for some of our readers to work out the solution, after this change had been made.

Q IN a preceding number of The Pace Student you answer a question on the handling of accounts in the case of real-estate subdivision. In this case, you stated that the gain or loss is ascertained as to each lot sold. Kindly inform me as to what the income-tax rules are respecting the profit or loss on these transactions.

Under Treasury Department decisions 2077 and 2137, the measure of gain or loss, as to each lot sold, must be ascertained and included in the income-tax return. These decisions expressly state that the capital invested in the entire lot shall not be extinguished before any taxable income shall be returned.

C CERTAIN preferred stock is sold immediately upon issue. Six months later, additional preferred stock of this authorized issue is sold. At the end of one year from the date the first stock was sold, a dividend is declared of seven per cent. Is all of the stock on an equal footing as respects this dividend?

A According to the weight of opinion, the second lot of stock sold is only entitled to that portion of the dividend declared which the time it is held bears to the entire year. Only the stock issued at the beginning of the year would be entitled to the full seven per cent.

Q KINDLY advise me whether the cost of litigating an infringement suit may properly be charged to the account "Patents," and capitalized.

A Costs of this nature should be charged against profits, and should not be capitalized. If exceedingly heavy in any one year, they may be carried as a "deferred charge" to be written off profits for a number of years. This is not the same as costs of defending a title to property. Often, these costs are capitalized as part of the costs of acquiring and retaining ownership in the property; but in an infringement suit, it is the question of maintaining the value of the monopoly right which the patent accords. Hence, the treatment should be the same as that of maintaining any other property—namely, a charge against profits.

Q RELATIVELY large amounts are paid by a concern for work in connection with estimates. After making estimates, the business may, or may not, be procured. At the end of the accounting period, there are a large number of these charges on the books, concerning which it is impossible to state whether or not the business will be procured. How would they be treated in closing the accounts?

A From the wording of your question, it is assumed that the cost of estimating on the various prospective contracts may vary; that in connection with each job secured, the cost of the estimates as to that job are included as part of its costs; and that charging the entire amount of estimates against the profits of the period in

**Question and Answer Department**  
(Continued)

which the estimates are submitted would result in distortion of profits as between the different periods. Under these circumstances, it is desirable to raise a reserve, the amount of which would cover estimate of expenditure for estimates on work which would not be procured. A charge against profits would be made of this amount, and a credit to the reserve account. The total amount of the accounts debited for amounts expended on these estimates would be continued in the books for use in case the jobs were procured. If these were carried in one account, then that account would be credited, and the job account charged at the time the contract was awarded. In the Balance Sheet the total of the charges would be stated on the asset side, there would be a deduction of the amount of the reserve, and the balance would be carried out.

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Boston, Mass. The price is five dollars. We understand that it is carried in stock by the Lawyers' Co-operative Publishing Company, 55 Liberty Street, New York.

**Q** IS the following sentence correct—"I gave the tickets to whomever called"?

**A** The sentence is wrong. It should read, "I gave the tickets to whoever called." "Whoever" is in the nominative case, used as the subject of "called." The clause "whoever called" is used as the object of the preposition "to," but this has no effect on the case of "whoever." The principle involved is this: A relative pronoun takes its case from the clause in which it stands.

**Q** KINDLY advise me as to the meaning of the term "accumulation" when used in connection with bond transactions.

**A** Accumulation is the reverse of "amortization." Amortization, as applied to bond issues, means the writing-down of a premium on bonds, in periodic amounts, over the period between the date of acquisition and the date of maturity. Accumulation means the gradual writing-up of bonds purchased or otherwise acquired at a discount, in periodic amounts, so that there is added to the book value, between the date of acquisition and the date of maturity, the amounts which will bring the bonds to their matured value. As the Bond Account is debited with these amounts, a credit is made to the Profit and Loss Account.

**Q** ON page 196 of the November issue of The Pace Student, reference is made to a book entitled "The Law of Unincorporated Associations and Similar Relations," by Mr. S. R. Wrightington, of the Boston Bar. We would appreciate learning the names of the publishers, so that we may order a copy of the book. We might state that our book agents, The Investment Weekly, are unable to locate the book.

**A** This book is published by Little, Brown & Co.,

**Q** IN a wholesale trading establishment, there are relatively large labor costs by reason of the handling of the goods in the yard. In what section of the Profit and Loss Account should this item appear?

**A** These costs are properly included in the trading section. They are analogous to the labor costs of manufacturing. They are a part of the costs of placing the goods to be sold available for sale purposes.

**Q** SEVERAL months after its date a check is presented at the bank. Can the bank refuse to cash this check?

**A** A check is presumed to be payable on demand. Checks that are presented at banks long after their dates are called stale checks. It is within the rights of a bank to refuse to cash stale checks. The depositor is not relieved from liability for the debt covered by the check.

**Q** IS the word "don't" correct?

**A** The word "don't" is correct, if correctly used. It may be used with the pronouns *I*, *you*, *we*, and *they*, but never with *he*, *she*, or *it*. "Don't" is a contraction of *do* and *not*, and may, of course, be used where "do not" would be correct. It should never be used as a synonym for "doesn't" or "does not."

**Q** WHICH is preferable—"I shall be glad to send you full information," or, "I will be glad to send you full information"?

**A** "I shall be glad to send you full information" is preferable. "Shall" is the proper auxiliary to use with the first personal pronoun "I," when you wish to express futurity. "Will" is the proper form, when you wish to express determination or volition. It is evident that you are not making up your mind to be glad. This would not be very complimentary to the person to whom you might be writing. You simply mean that you will, of course, be glad to send the information.

**Q** IS the semicolon properly used following the salutation of a letter; as, "Gentlemen;"?

**A** The semicolon should never be used as a substitute for the colon. A colon should be used preceding an enumeration, or following the salutation in a letter. The semicolon, on the other hand, is used where you wish to indicate a very definite break in a sentence, and is more like the period or the comma than like the colon.





EN differ in their ability to carry loads, whether the loads are of a mental or a physical nature. One secret of carrying heavy responsibilities is to relieve the mind, by prompt action, of the mental worry that comes from postponement. For example, if a child prepares its lessons for Monday on Friday evening, the worry and strain of carrying on its mind the uncompleted work is avoided. In the same manner, an important matter that is pushed back to be handled hours or days afterward operates as a burden on the mind of the executive, until the matter is finally settled. The habit of prompt decision and action, therefore, relieves the mind of a heavy load, and releases capacity for carrying the matters which, in their nature, cannot be settled immediately. Practice can be had in this respect on the personal affairs of an individual, no matter how humble his position may be. When the thought comes to hang the picture, to visit the museum, or to call up the friend, decide the matter one way or the other—do not assume the load of an unfinished piece of business. Your ability to carry a heavy mental load will increase as does your ability to make prompt decisions. The habit of prompt decision once formed in personal matters will extend to business affairs, and react favorably on vocational and business progress.

TWO young executives come to my mind. They are connected with two rival organizations. They are of about the same age—thirty-three or thereabouts. They direct about the same number of clerks and assistants. They are well trained for their respective duties. They are ambitious and anxious to make good. At this point I have to stop comparing them and begin to contrast them.

Young Mr. A is always at his desk at eight thirty, and seldom leaves the office till seven or eight at night. His roll-top desk is always piled high with masses of data and reports. His telephone is constantly ringing. It is almost impossible for an outsider to get an appointment with him, because he is so overwhelmingly busy. His

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April, 1918

### THE PACE STUDENT

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Interpreting  
the Purpose, Spirit, and Needs  
of Modern Business

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assistants are not permitted to make decisions of any kind; he passes on everything—even the smallest matters—connected with

his department. He does not plan well—he is encumbered by the detail which he himself creates. The strain is already beginning to tell on him. His hair is rapidly graying about the temples; there are lines of worry and care on his face; and he is nervous in speech and gesture.

Young Mr. B is seldom at his office for longer than seven hours a day. His desk—a flat-top—has on it only a desk blotter, an ink-well, a few pens and pencils, and two shallow boxes, one marked “incoming” and one marked “outgoing.” It is always easy to arrange, through his secretary, for an appointment, if the latter can’t take care of you himself. When you walk in, you may

see Mr. B looking out of the window. Apparently he has little or nothing of a disturbing nature on his mind. The fact remains, though, that he gets things done accurately and on time. His executive superiors speak of him as a “comer.”

The lesson is clear. The really able executive is he who delegates details and the responsibility for their proper handling among his subordinates, in order that he may have time and energy for broad planning and supervision. Which kind of executive are you becoming—one like Mr. A or one like Mr. B?

A SINGLE log, as is well known in the lumbering business, may key and jam a river drive of logs that includes many millions of feet. Just so, a disagreeable trait of personality may key and jam vocational ability of a high order. We need not seek long to find a man with potential \$10,000-a-year ability, earning less than half that amount, who is held back by some defect or personal trait that keeps in abeyance the worth-while ability. Few men or women can determine for themselves whether they are those held back, and few friends have the frankness or courage to speak plainly. The professional vocational counselor is often able to point out the deterrent quality, and to suggest a practicable method of overcoming the difficulty. In any event, progress is retarded until the trouble is located and action taken for its correction.

Locating the Obstruction

**"DEVELOP** your driving-power —your will-power to do disagreeable things." This was the one-sentence, laconic reply which a

business executive, famed for his ability to put things through, made to me when I asked him for what he had found to be the surest recipe for success. What he said is, I believe, absolutely true. I can think of many men who, consciously or unconsciously, have used the lever of will-power to do disagreeable tasks to pry apart the fence between a routine job and a position of directive responsibilities.

A certain college classmate of mine comes to mind. To-day, at the age of thirty-eight, he is vice-president and general manager of one of the largest Eastern houses that publish trade-books and periodicals. I am not surprised at his success, knowing him as I do. Twenty-odd years ago, he entered college. I can see him now, a gawky, big-handed farmer's boy, who had never been more than fifteen miles away from the little mountain farm where he had been born and reared. He had about forty dollars in his pocket—the savings of many months' work at doing odd chores.

The other day I took lunch with him at his luncheon club—one of the best in New York. He had just been elected trustee of his alma mater, and he was in an expansive mood.

Our talk ran back to the old days. "Remember our Greek classes?" he asked. "How I did hate Greek!"

"That's a surprise to me," I rejoined. "You were a star in Greek, I remember, and I thought you liked it. Why did you study it, then? It was an elective. You might have substituted something else."

"This is the reason," he replied soberly—"the fact that I did hate it. Somewhere, I had got the idea that doing the things we don't like to do, and doing them, if possible, better than the things that appeal to us, is the best possible kind of training and discipline. I stuck to that idea throughout college, and to a considerable degree, I've stuck to it ever since. Whatever success I've had is partly due to the face-on headway with which I've tackled all kinds of disagreeable jobs. I stumbled on the importance of this idea accidentally, but I believe it should be driven home into the minds of every young man in our country. The idea develops will-power—that's its value."

Well, he's right, isn't he? We all like to dodge the tasks that, for one reason or another, don't appeal to us. It's easy to shift them off on some other fellow's back. But, in the meantime, our own will-power, remaining unused, becomes

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feeble and flaccid; and so far as development is concerned, we are headed downward. Let's have done with the shifting attitude. Where is that piece of work I should have done last month? I will tackle it now.

**Y**OUR vocational equipment, my dear sir—the tool with which you work and earn your board and keep—is merely the excess of productive or affirmative qualities over retarding or negative qualities. You possess many good qualities—technical skill in typewriting, in bookkeeping, in buying, or in managing—together with many favorable personal qualities, such as loyalty to your task and to your chief, and courtesy to your associates. You carry, as well, a fair load of negative qualities—ineffective habits of work, defects of personality, and unfavorable mannerisms—qualities that offset a certain amount of productive ability and act as brakes on your vocational progress. Study, therefore, both sides of the account, reducing or eliminating the negative qualities while building up the affirmative abilities that give the forward-thrust to your vocational progress.

Vocational  
Offsets

**"A**S a result of the co-operation of the Pace Agency for Placements, Inc., with the War Work Council of the Y.M.C.A., Mr. G. R. Mills, president of the Sodus Gas and Electric Light Company, Sodus, N. Y., has been sent to Paris to assume important executive duties in connection with the Y.M.C.A. activities at the front. Mr. Mills, who has achieved a remarkably successful business career at an early age, first got in touch with the Pace Organization through an address delivered at Rochester Business Institute last fall by Charles B. Couchman, C.P.A., a member of the Pace Faculty.

**"A**SATISFACTORY relation between current assets and current liabilities is essential in maintaining a satisfactory financial position. In this respect, it is interesting to note that the National City Company, of New York, in recommending for investment an issue of Proctor & Gamble Company seven per cent. serial notes, makes the following statement: "The company and its constituent companies agree at all times to maintain current assets in an amount equal to at least twice the amount of all direct liabilities."

Working  
Capital  
and  
Finance

*It is harder to get dirt out of the bearings of a machine than to keep it dirt-proof. It is harder to get rid of the effects of loose thinking than to keep from loose thinkings.*

# State- ments for Credit Purposes

Elmer O.  
Stevens,  
C.P.A.



THE preparation of  
Statements for  
Credit Purposes has  
greatly increased in  
recent years. Not infrequently  
the services of a public account-  
ant are utilized in conjunction  
with this class of statements.

One of the reasons for the increase of the prepa-  
ration of these statements is the encouragement  
which the present system of banking gives to  
short-time loans. Even a cursory examination of  
the recent Federal Reserve Act will disclose that  
nearly all of its provisions favor the granting by  
national banks of short-time loans in preference  
to long-time loans. The provisions of the Act  
are designed to keep the funds of the country in a  
fairly liquid condition, because, when these funds  
are in a fairly liquid condition, there is greater  
elasticity.

The services of accountants are brought into  
play in connection with these statements because  
of the increasing tendency of bankers to insist  
upon statements which have been verified and  
certified by certified public accountants. Many  
of the loans are made on the basis of financial  
condition, and it is desirable that the exact finan-  
cial condition be ascertained before the advance  
is made. The certification of reputable and com-  
petent accountants adds much to the assurance  
of the accuracy of the statements presented.

This increasing demand for the services of ac-  
countants in connection with these statements  
has not escaped the attention of the New York  
Board of Certified Public Accountants. The last  
examination, given at the end of January, 1918,  
contained a proposition testing the ability of the  
applicant to prepare, and to comment upon, a  
statement to be submitted for credit purposes.  
It is desired to present this proposition, together  
with the solution.

The proposition reads: "A manufacturing cor-  
poration, requiring additional capital, presents to  
a firm of bankers the Statement given below, with  
the request that the bankers underwrite the pro-  
posed new capital stock. The corporation has  
secured a war contract from the Government,  
which is expected to yield very large profits.  
Capital is required to increase the size of the  
plant, as well as the working force of highly  
skilled employees. Analyze the Statement for  
the banker, and comment briefly on it from the  
accountant's standpoint."

July 31, 1917.		
Real Estate .....	\$90,000	
Capital Stock .....		\$100,000
Machinery .....	10,000	
Advances on Contracts.....		50,000
Buildings .....	40,000	
Accounts Payable .....		42,000

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Work-in-Process .....	10,500	
Surplus .....		6,300
Materials and Supplies.....	8,000	
Cash .....	3,500	
Good-will .....	30,000	
Deferred Charges .....	2,100	
Accounts Receivable .....	4,200	
	<u>\$198,300</u>	<u>\$198,300</u>

### SOLUTION

The solution to the proposition divides into two  
parts: first, the presentation of a Balance Sheet,  
rearranging the items; second, commenting there-  
on from the accountant's standpoint. The follow-  
ing is the Balance Sheet, which has been arranged  
to conform with the recommendations of the Fed-  
eral Reserve Board.

### A MANUFACTURING CORPORATION

Balance Sheet as at July 31, 1917

#### ASSETS

<b>Current Assets:</b>		
Cash .....	\$3,500.00	
Accounts Receivable .....	4,200.00	
Inventories:		
Materials and Sup- plies .....	\$8,000.00	
Work-in-Process .....	10,500.00	
	<u>18,500.00</u>	
		\$26,200.00
<b>Fixed Assets:</b>		
Real Estate .....	\$90,000.00	
Buildings .....	40,000.00	
Machinery .....	10,000.00	
	<u>140,000.00</u>	
Deferred Charges .....	2,100.00	
		<u>\$168,300.00</u>

#### LIABILITIES

Advances on Contracts.....	\$50,000.00	
Accounts Payable .....	42,000.00	
	<u>92,000.00</u>	
Net Investment .....		\$76,300.00
(Consisting of the following:)		
Capital Stock .....	\$100,000.00	
Surplus .....	6,300.00	
	<u>\$106,300.00</u>	
Less: Good-will .....	30,000.00	
		<u>76,300.00</u>

### COMMENTS BY ACCOUNTANT

These comments are set forth in the form of a  
report, as follows:

In accordance with your request, I have exam-  
ined into the affairs of the Blank Corporation, and  
present herewith a Balance Sheet of that corpora-  
tion in the form recommended by the Federal Re-  
serve Board. This Balance Sheet does not dis-  
close a satisfactory condition. There is no work-  
ing capital, and the reserve financial strength is  
not sufficient to provide adequate working cap-  
ital.

Financing of this corporation for a war contract  
should not be undertaken without consideration  
of the financing necessary to place it upon a nor-

mal basis. Before the corporation could engage in the extraordinary work required by this contract, it would be necessary, from the standpoint of safety, to rehabilitate its impaired financial condition to a point which would justify normal operation. Any consideration of a loan to the corporation should, accordingly, contemplate: first, the amount necessary to place it in a normal condition as regards working capital; and, second, the amount necessary to finance the contract in question. The necessity for this consideration becomes more apparent from an analysis of (a) the items ordinarily making up working capital; (b) deferred charges; (c) reserve financial strength; (d) application of proceeds of loan.

#### *Working Capital.*

Current Liabilities .....	\$92,000
Current Assets .....	26,200
Excess Current Liabilities.....	<u>\$65,800</u>

A normal condition in the line in which this corporation is engaged calls for a substantial excess of current assets over current liabilities. There is a slow turnover, and hence need for an ample working capital. Before any expansion of the scope of operations is made to include a Government contract, attention should be given this need.

This unsatisfactory condition is aggravated by the situation as to Inventories and as to Accounts Receivable. Of the total of Current Assets—\$26,200—the major part consists of Inventories, which amount to \$18,500. On the liability side are Advances on Contracts amounting to \$50,000, so that a part of these Inventories, presumably, will be utilized in filling the contracts upon which these advances have been made.

No reserve is set up for Accounts Receivable. In the ordinary course of business, it is to be expected that there will be losses in collecting these receivables.

*Deferred Charges.* The item "Deferred Charges" — \$2,100 — presumably represents an amount which can be made available only as a charge against future income.

*Reserve Financial Strength.* Offsetting poor condition as to working capital, it will be noted that the Fixed Assets, totaling \$140,000, are not subject to any mortgages. So long as these remain unencumbered, they constitute a source to which unsecured creditors may resort upon default in payment.

Only by mortgaging the real estate and buildings to the full extent normally allowed, and adding this entire amount to the current assets, would there be secured an excess of current

assets. On the real estate and buildings, it is probable that no more than from 50 per cent. to 65 per cent. of the appraised value could be obtained by a mortgage. If such proceeds were added to the \$26,200 of Current Assets, the total amount would afford but a narrow margin of working capital. Aside from the fact that this action would provide an insufficient normal working capital, the entire reserve financial strength would have been utilized, and there would be nothing left to which recourse might be had in case of emergency.

Since the requested loan is a short-time loan for contract purposes, the entire amount will be an addition to current liabilities. Nevertheless, only a part of the amount received will go into current assets, it being the purpose to use part for permanent plant. Hence, the loan will increase the current liabilities to a greater extent than it will the current assets. This means that from current operations must be secured an amount in excess of the amount of loan capitalized sufficient to pay the entire amount of the loan.

*Conclusions.* Inasmuch as the financing of this corporation necessarily includes an amount to place it in a healthy condition for normal operations, as well as an amount to finance a Government contract, repayment of a loan is contingent upon one of two alternatives: these are, (a) the bringing in of sufficient additional permanent capital to place the affairs in a satisfactory condition; or (b) the securing of most exceptional and most extraordinary profits, within a short time, from existing contracts. Dependence upon the latter of these contingencies would mean the acceptance of a more than ordinary risk in connection with this loan.

#### *COMMENTS ON SOLUTION*

The comments on the solution may be divided into those pertaining to the form of the Statement, and into those pertaining to the condition of the enterprise.

*Form of Statement.* As before stated, the Statement is made out in the form sanctioned by the Federal Reserve Board. This form was adopted by the Federal Reserve Board upon recommendation of the American Institute of Accountants.

It will be noted that the Current Assets are stated first and the Fixed Assets second. At one time it was the custom, in the Balance Sheet of a corporation, to state the fixed assets first and the current assets second. The tendency now is to consider the purpose of the Balance Sheet, and to arrange items accordingly. This

*Statement for Credit Purposes* Balance Sheet has for its purpose the presentation of financial condition in an application for a short-time loan. For this reason, the current condition is of main importance and should be stated first.  
(Continued)

Contrasted with this, there might be the presentation of a Balance Sheet for the purpose of interesting prospective investors. Permanent condition—that is, the ability of the concern to remain in business for a long period of time—would be the main consideration from the investor's view-point. Hence it is, that frequently Balance Sheets presented for the inspection of investors are arranged with the capital assets first, and the current assets second in order.

The capital assets are referred to as fixed assets, which is a synonym of the term "capital assets."

Good-will is deducted from the total of Capital Stock and Surplus. This is in accordance with the form as prescribed by the Federal Reserve Board.

*Condition of Enterprise:* Reference has been made to the possibility of a mortgage on the fixed assets, which suggests another means of financing the organization. Assume that a mortgage was secured of \$80,000. Of this sum, \$40,000 is invested in permanent plant, and \$40,000 added to current assets. The additional value of the permanent plant, let us assume, permits of a further mortgage of \$25,000, the amount of which is added to Current Assets. Eliminating the delay which must ensue before this second loan might be obtained, the total addition to Current Assets would have been \$65,000. Even with this addition, it will be noted that the Current Liabilities would still exceed Current Assets. The following calculation will show this clearly:

Current Liabilities .....		\$92,000
Current Assets .....	\$26,000	
First Mortgage .....	\$80,000	
Added to Permanent		
Plant .....	40,000	
		\$40,000
Second Mortgage .....	25,000	
		25,000
Total addition .....	65,000	
		91,200
Excess Current Liabilities.....		\$800

Under these circumstances, it is extremely doubtful that a conservative banker would advance a loan to the organization.

This proposition is a test of the ability of the applicant to judge financial conditions from statements, and of his knowledge of the facts to which a banker looks when extending loans upon the basis of a Balance Sheet. Ability to

analyze financial statements is desirable from a business administrative and an investor's view-point, as well as that of the banker.

Apparently the clause in the proposition to the effect that prospects are favorable for large profits was designed to ascertain the applicant's attitude toward prospective profits. This attitude should be conservative and cautious. Sometimes the anticipation of profits may appear in the statement itself. For example, a real-estate concern may place upon its real estate an appraised valuation. In this case, the realizable value may be shown as to the land, in which event there is an element of anticipated profit.

All in all the proposition may be said to be a test, not only of the applicant's ability to construct statements, but likewise of his ability to give the economic facts necessary for proper interpretation of the statement.

**A** SILENT prayer for two classmates, who have entered the military service, marked the annual banquet of the Pace Class, Rider-Moore and Stewart School, Trenton, New Jersey, March 6, 1918. The two members of the class thus honored are Harry S. Bowen and Dallas Fogg.

The dinner was held at the Trenton House, and was typical of the enthusiasm of the Pace Men in Trenton. A feeling of comradeship has sprung up among the members of the class and they have organized a basket-ball team.

William J. Mitchell, president of the class, was toastmaster. As a surprise he called upon several members of the class to make a speech. One of the members, Fred Banks, turned the tables by giving a carefully prepared address on "The History of Accountancy." The scheduled speeches were given by Frank B. Moore, president of the school; Honorable John E. Gill, assemblyman of the state of New Jersey, vice-president of the school; A. H. James, instructor in Accounting; Walter D. Cogle and Daniel A. Spair, instructors in Law; and John T. Kennedy, representing Pace Institute. The officers of the class are William J. Mitchell, president; George M. Harvey, Jr., vice-president; Charles J. Miller, secretary; and Joshua Levin, treasurer.

Other members of the class present were: Fred Banks and Benjamin Meyers, members of the committee in charge of the banquet, Harry H. Lancaster, Benjamin Alexander, Francis A. Duffy, Alvin Jones, Joseph Ryan, and Norman Dorsett.

One feature of the dinner was the excellent rendition of Kipling's poem "If" by Mr. Gill, which was heartily received by those present.

*Trenton School Banquet*

**Duties  
of the  
Controller**  
(Continued)

"It is the controller's business to see that the accounts of all officers, agents, and employees are properly kept, that all money collected is promptly paid to the treasury department, and that all money paid over by the treasury department is promptly accounted for. The controller has charge of the fidelity bonds of all the officers and employees of the company; and all defalcations are usually reported promptly to the controller, and by him to the president and to the vice-president in charge of the department in which they may occur.

"If any irregularity in accounts or in the handling of company money is discovered, the controller may request the head of the department in which such irregularity occurs to remove the employee or officer at fault, and may, if he thinks it necessary, suspend any agent or employee, and place the business temporarily in charge of an agent of the accounting department, notifying, of course, the head of the department to which such suspended employee belongs of his action. The by-laws of the Pennsylvania Railroad Company provide that accounts for payment, except principal and interest of bonds, dividends, promissory notes, and such other accounts as the board shall designate, shall be covered by pay-rolls or bills for vouchers prepared in the several departments and approved by the proper officer, which pay-rolls and bills for vouchers shall be transmitted to the controller to be examined and verified preliminary to the preparation of the necessary vouchers. No payment shall be made of any bill, or account, except those contracted for the benefit or use of the company; and in all cases the controller shall have the power to take all steps necessary to satisfy himself of the correctness thereof; and all unsatisfactory bills or accounts shall be returned to the head of the department responsible therefor for explanation or correction, and when desirable may also be reported to the vice-president or the president. Bills for materials and supplies shall, before being passed for payment, be indorsed to show the receipt of the materials and supplies by the head of the department to which they were consigned, or his duly authorized representative, and must be approved by the purchasing agent.

"The controller appoints, with the approval of the president, all of the officers and employees in his department."

Mr. Williams, who has had long

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experience as a controller, states his views as follows:

"The duties of the controller of an industrial corporation fall into three groups: *Finance, Accounts, and Administration.*

"Under the first heading would come the management of the funds of the company to meet its obligations, which would entail maintaining harmonious relations with the company's bankers, possibly making loans to meet peak conditions in the company's finances, or the reverse condition—of investing surplus funds.

"Under the second heading would fall the supervision of all matters pertaining to the company's accounts, to the end that the books accurately reflect the correct financial position of the company, and the preparation of financial and operating reports.

"Under the third heading would fall the activities incidental to maintaining a flexible, harmonious, office organization, and a dignified and courteous attitude toward company debtors, creditors, and business associates.

"Incidental to his duties as a whole, would be familiarity with marketing conditions, manufacturing or operating conditions, and a general comprehensive knowledge of corporate activities in the business world.

"The breadth of the position of controller varies greatly in different corporations, from a species of super-cashier in some companies to the border line of general manager in others.

"So far as my experience goes, the purchasing department of a corporation does not, ordinarily, come under the supervision of the controller, except as to such portions of the accounting as may be done in the purchasing agent's office, and hence, interlock with the company's general accounts."

From the foregoing, it will be seen that the conditions peculiar to the organization determine, to a large extent, the duties of the controller. The accountant, no matter how clear he may be in his own mind as to the fundamental divisions into which the work of an organization should be divided, is controlled, to some extent, by organization precedents and traditions, and by personnel. A president or

other executive may have definite views, which have to be regarded, notwithstanding the fact that they may not be in accord with the best theory of organization. The accountant works out the best plan of organization possible under the conditions, definitely charging the controller with the duties which, under the conditions, seem best to fall to his position. As the science of organization develops, we may expect a clearer and more exact definition of the duties that should be allotted to various executives, including the controller.

court distinguished them. The court held that the distribution in the second case was not a distribution of income, but of an increase in capital assets. Emphasis was laid on the fact that between March 1, 1913, and the date of distribution, in the second case, no business was done by the corporation in question. The court stated that accumulated earnings of a corporation, which was the subject of dispute in the decided case, constituted a different proposition.

The decision in the Gulf Oil Corporation case, just reviewed, was handed down by the Circuit Court of Appeals for the Third District. In the United States District Court, the decision was in favor of the Gulf Oil Corporation, which decision was reversed in the Circuit Court. Undoubtedly the case will be appealed to the Supreme Court of the United States. The other case, that of *Lynch versus Turrish*, has already been appealed by the Government. Final decision on both of these cases will be awaited with interest.

JACOB BECKER, graduate of the Pace Courses in New York, has enlisted in the United States Navy.

MISS HILDA PRICE, Pace Institute, has taken a position as accountant with William Zinsser & Company, New York City. Miss Price was previously employed by the American Druggist Syndicate.

WARREN J. DEAN, Pace Institute, has accepted a position as accountant with the U. S. Gas Defense Plant in Long Island City. Mr. Dean was formerly employed by the Alien Property Custodian of the United States Government.

RALPH E. BAKER, Pace Institute, Boston, writes: "Since last I wrote I have received my transfer from the Coast Artillery Corps to the Quartermaster Corps, and have been made a sergeant, so credit it up to the account of Pace & Pace."

## Dividend Taxation

(Continued)

# Credit Manager and Salesmen

ULYSSES S. HARRIS, graduate of Pace Institute, Boston, has written an essay on "The Relation Between the Credit Man and the Salesman in the Automobile Industry."

Mr. Harris is credit and financial manager of the Garford Motor Truck Company, and his essay has been used in publications of Credit Men's Associations.

At the beginning of his essay, Mr. Harris points out the attitude of the salesman as contrasted with the attitude of the credit manager. Each is likely to go to the extreme and varying view-points caused by their respective positions. He urges that each consider the work of the other, and so correlate that work that each may help the other and their particular organization.

Mr. Harris then takes up the various difficulties in collecting accounts receivable in the automobile business. From this point on we shall quote from his thesis:

"Let us then consider some of the things that make the collection of accounts receivable in the automobile business a difficult task. Among other things the following are prominent: Salesmen, Guarantee, Service.

"*Salesmen.* You may not have thought of it in this light, but experience has proven that a large percentage of the difficult accounts to collect have been made so, probably unknowingly, by some salesman. Certainly, if the salesman will admit that it is hard to sell a motor truck or pleasure car to a man that needs or desires one, he can realize that it is harder to collect cash from the same customer for something for which the customer finds it difficult to pay. How, then, does the salesman make the credit man's task unusually difficult?

"*First:* By not selecting customers. By "selecting customers" does not infer we should show favoritism or refuse the business of any one who has a right to own a motor truck or pleasure car, but means that the salesman should not allow himself to follow the course of least resistance, and sell to people who will not make good customers. It would seem that a salesman should build up a clientele the same as a lawyer or a doctor, by personality, knowledge, and absolute honesty. If this is done, there springs up a feeling between the customer and the salesman which brings repeat orders, and the customer may even go with the salesman to another line of goods.

"*Second:* By selling to the customer who has not enough money to make a deposit of at least twenty-five

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per cent. of the total amount of the sale, and leading him to believe that he can earn money enough to pay his notes, make a living for himself and family and probably a driver, and also pay for the entire up-keep of the truck or pleasure car. While this may be a possibility, as a matter of fact it is not done very often.

"*Third:* By selling a customer a one-ton truck when he needs a five-ton truck, or vice versa. If this is done, in the first instance he will overload and damage his truck and incur repair bills which he probably cannot pay; and in the second instance his income will be too small to pay his expenses.

"*Fourth:* He must not make promises which he can not fulfil. Many salesmen while trying to 'clinch' a sale make statements or promises which they can not fulfil, and later on the customer will have some work done for which, in the mind of the credit man, he should pay; but when an attempt is made to collect the bill, the customer offers the statement or promises of the salesman as a reason for his not paying the bill. Experience has proven that the salesman will probably have forgotten the incident, and immediately there springs up a misunderstanding.

"*Fifth:* Salesmen must be careful not to make misrepresentations or convey wrong impressions. It is possible to cause just as much trouble by leaving unsaid something which should have been said, as it is to tell an untruth. An example of this recently came to light wherein the customer claimed that he had purchased a three-ton truck, when, as a matter of fact, all the papers on the sale showed that it was a two-ton truck. The customer put on a load of about four tons, and therefore experienced some difficulty with the transmission. The customer claimed one-ton overload, when, as a matter of fact, he had a two-ton overload. The salesman claimed that he said the truck would carry three tons once in a while, if necessary, and if the truck was driven carefully; the customer claimed that the salesman said it was a three-ton truck.

"*Guarantee.* The second thing that makes collections hard is a misunderstanding of that much abused word 'guarantee.' If you were told of the numerous things which the customers claim come under the term 'guarantee,' the absurdity of their claims certainly would be very

apparent. In every selling concern, some one in authority should interpret their guarantee, and then insist that every one employed should abide by the interpretation.

"*Service.* What do we mean by the word 'Service?' Service means 'prompt, courteous, and efficient attention for a proper remuneration, and the last phrase, 'for a proper remuneration,' should certainly be underscored. Service consists of giving the right thing at the right time for the right price; but it does not mean giving something for nothing, or complying with unreasonable requests by customers. If in the selling of trucks and pleasure cars, and in the performing of repair work, a dollar's worth is given for every dollar received, why should you give anything away? Of course, you must have efficient help in your service station—men who can do a repair job as quickly as is consistent with good work, doing it carefully and promptly, and doing it cheerfully and courteously. The service station must be in charge of a competent man, who not only produces reliable work, but understands human nature, so that customers will be treated in such a way as not to arouse any feeling of ill will. Experience has shown that one of the things which makes a customer angry is promising a truck or pleasure car for a certain time and not giving it to him at that time; and probably not even calling him up to tell him that you can not give it to him, or if you do call him, calling him so late that he can not make other arrangements. At all times you must see the customer's side as well as your own, and must not make promises which can not within reason be kept.

"Stock which you can reasonably be expected to have should be kept in stock rooms; no one wishes to pay for something which he feels he does not get, and therefore if you do not give good service you will run up accounts receivable that are almost impossible to collect. In the correction of difficulties, 'an ounce of prevention is worth a pound of cure.' Therefore, the salesman must make no misrepresentations, or leave anything unsaid that is necessary to give the customer a correct and complete understanding of your truck or pleasure car, your guarantee, or your service.

"Honest salesmen, an honest policy of guarantee, and honest service from efficient service-men, will make possible the collection of accounts receivable by a tactful credit man without antagonizing and losing customers."



**Paterson  
School  
Banquet**

**W**HAT the accounting profession has done and is doing was the premise from which "The Future of Accounting" was forecast by John B. Niven, C.P.A., president, New Jersey State Board of Public Accountants, at the First Annual Dinner of the Pace Men, Drake Business School, Paterson, New Jersey, March 9, 1918. Mr. Niven pointed out that the accounting profession had its beginning in America not more than twenty years ago. He mentioned that the Secretary of the American Institute of Accountants estimated that more than two hundred of the twelve hundred members of the Institute are now engaged in military or Governmental work. Later in the evening A. George L. Baines, accounting instructor, told the assembled guests and students that Mr. Niven's father was the only surviving signer of the first charter granted by a government to accountants. The quiet, effective enthusiasm with which Mr. Niven spoke of the profession was encouraging to the students.

D. Wallace Frazier, president of the Drake Business Schools, was toastmaster. The other speakers were Ernest Olrich, auditor, National Silk Dyeing Company; William H. Russell, secretary, Drake Business School; Ernest T. Williamson, instructor in law, and John T. Kennedy, representing Pace Institute. Edward Bohl, Jr., executive, National Silk Dyeing Co., was a guest.

Members of the class present were: William S. Armitt, Samuel E. Cully, John M. Florence, Arno Golle, Edward Hameetman, Fred'k A. Musterer, James K. Prescott, William H. Pankow, Frank T. Sattan, Joseph Skvarla, Jr., William L. Thompson, Henry Wieggers and Frank Yacsko.

G. S. WILLSON, New York School of Accountancy, has enlisted in the Accounts Section, Equipment Division, Signal Corps.

MICHAEL L. SCHLOSS, Pace Institute, has accepted a position as bookkeeper with Messrs. Pearsall & Company. Mr. Schloss was formerly employed by W. E. Mount.

LLOYD E. BUDD, Pace Institute, has severed his connection with the United Paper Box Company to accept the position of auditor for The Sweets Company of America.

JOHN KESSON, Pace Institute, has accepted a position on the accounting staff of Price, Waterhouse & Company, having left a position as bookkeeper with The Alexander Morton Company.

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ERNEST W. STEELE, Pace Institute, has recently been employed as accountant by the Food Administration Grain Corporation.

MURT McDONALD, Pace Institute, has accepted a position in the accounting department of the American Water Works and Electric Company.

H. HAMILL ANDERSEN, Pace Institute, Chicago, has become associated with the accounting firm of Barrow, Wade, Guthrie & Company, of Chicago.

LEWIS H. DAWLEY, Pace Institute, has accepted a position on the accounting staff of A. F. Makay, C.P.A., having left the employ of James L. Greenleaf.

LEONARD T. WILSON, Pace Institute, has severed his connection with the New Jersey Zinc Company to enter the practice of Accountancy on the staff of Price, Waterhouse & Company.

BERT DENTON, Newark School of Accountancy, is now with the Westinghouse Lamp Company, of Bloomfield, N. J., as cost accountant, having severed his connection with The Grasselli Chemical Company.

MORTON F. LOCKE, Pace Institute, Extension Division, has recently resigned his position with the New York Central R.R. Company to join the staff of Davies & Nield, certified public accountants.

H. L. CAMP, Rochester Business Institute (Pace Standardized Courses), has taken up his residence in New York City to enter the practice of Accountancy on the staff of Price, Waterhouse & Company.

WILLIAM J. DWYER, Pace Institute, has recently severed his connection with the Sprague Electric Works to enter the practice of Accountancy on the staff of Alexander Aderer & Company, certified public accountants.

MISS GERTRUDE E. MACNAUGHTON, Pace Institute, has resigned her position with the Underwood Typewriter Company to accept a position on the staff of Hurdman & Cranstoun, certified public accountants.

**Father and Son Celebrations**  
**C**OMRADESHIP between father and son is the object of the National Father and Son Celebrations. Robert E. Lewis, general secretary of the Cleveland Y.M.C.A., gives the reasons for these Father and Son Celebrations in "Twenty-third Street Men," February 14, 1918.

As Mr. Lewis points out, fathers before the war were almost completely absorbed in business. Activities of the boy were also such as to cause a drifting away from the comradeship of the father. This condition has been largely changed by the war. The father is thinking more of the son and the son is thinking more of the father than has been the case heretofore.

Mr. Lewis states that this is particularly true in case the son has entered military service. As the father works he is thinking of the son, and he is willing to work and to sacrifice for the benefit of the son. Every movement inaugurated to help the boys who are fighting enlists his heartiest support. The object of the Father and Son Celebrations is to encourage these tendencies; "to let Father realize his actual part, to inspire Son to keep 'clean' and to go 'clean over,'" "These," states Mr. Lewis, "are the objectives of the National Father and Son Celebrations in camps and overseas, in churches and schools, in homes, clubs, and associations, in business houses and in factories."

**Personal Notes**  
LOUIS C. RAIS, Pace Institute, has secured a position as bookkeeper with Otto Boeddicker.

GEORGE A. KOEFOED, Pace Institute, is now with the Breeze Aircraft Company, as bookkeeper, having resigned from a similar position with N. J. Felix & Sons.

LEROY S. HENDERSON, Pace Institute, has taken a position on the accounting staff of Sparrow, Harvey & Company, having severed his connection with The American Can Company.

JAMES L. JOSEPH, Pace Institute, formerly employed with the Nathan Manufacturing Company, has accepted a position as an accountant with the France and Canada Steamship Company.

HARRY SCHREIBER, New York Institute of Accountancy, has accepted a position on the staff of the Atlas Selling Agency, having severed his connection as bookkeeper with Joseph Soble.



**Personal  
Notes**

EDGAR J. LOUCKS, Pace Institute, Extension Division, has accepted a position as general bookkeeper with The Home Savings Bank, of West Toledo, Ohio. Mr. Loucks was formerly employed by The American Metal Wheel Company, Toledo.

ERNEST R. WILDBRETT, director of Pace Agency for Placements, has entered the Naval Reserve and is engaged in cost work and other phases of constructive accounting. Mr. Wildbrett, by reason of his graduation from the Pace Courses and his previous experience, is especially qualified for this work.

J. G. FELL, Pace Institute, is in the training camp of the Quartermaster's Corps at Camp Johnston, Jacksonville, Florida. His schedule calls for instruction in accounting, military letter writing, transportation, financing, and the like, and the instruction is given four hours a day for five days a week for a period of six weeks. Mr. Fell, in view of his previous training, will undoubtedly make an excellent showing in his studies.

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AUSTIN F. BARRY, Newark School of Accountancy, is now a first-class sergeant in the Sanitary Corps, Gas Defense Service, Washington, D. C.

RAYMOND C. MILES, graduate of the Pace & Pace Courses in Washington, has been detailed by the Commissioner of Internal Revenue for some special work in Canada.

DONALD LONGHURST, Pace Institute, formerly employed by E. S. Willard & Company, has accepted a position on the bookkeeping staff of the American Bitumastic Enamels Company.

WILLIAM H. ANZER, who completed the Pace Courses and passed the New York C.P.A. examination about ten years ago, is located in Casper, Wyoming. Mr. Anzer is secretary of the Mid-West Commissary Company, of which J. Arthur Likely, another Pace student, is president.

COLUMBIA University is giving a special course in "Accounting of Ordnance Stores," under the direction of Lieutenant James L. Dohr. The next class will be organized on April 20th next.

PHILIP KLUPPT, Pace Institute, has recently joined the staff of Sufrin & Gompers, public accountants. Mr. Klupt was formerly employed by the Union Special Machine Company.

JOHN G. HANIFIN, Pace Institute, has accepted a position as bookkeeper with The Breese Aircraft Company, having severed his connection with The F. M. Talbot Company.

L. K. WATKINS, in practice in Buffalo as a public accountant, who is well known to the readers of The Pace Student by reason of his contributions, has recently been granted C.P.A. Certificate No. 760. Mr. Watkins passed his examination several years ago, but did not secure his certificate previously, due to the fact that he was engaged in executive work in an organization.

Every available accountant has been drawn into Governmental or some other technical employment. Prices must be determined on the intricate cost-plus basis. Taxes on income and excess profits must be accurately calculated. Securities to the value of hundreds of millions must be issued and marketed. Huge war funds must be efficiently administered. Operating staffs, composed of technically trained accountants, must be organized and charged with responsible tasks. All these war-time activities create an extraordinary demand for men and women trained in Accountancy and Business Administration.

Pace Students everywhere—in France, in England, in Washington, throughout this entire country—are performing technical duties of great importance. Many of them are in Government service. Others are partners in leading Accountancy firms. Still others are auditors, treasurers, controllers, and general executives. All are helping the country directly or indirectly in its attempt to systematize detail and control value.

The Pace Courses are available either in Resident Schools or by Extension through the mails. Many successful accountants and business executives have secured their training through the Extension Course. Send for a descriptive Bulletin and for a complimentary copy of "Your Market Value," a 36-page booklet, which tells how many men and women have developed a wide demand for their trained services.

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